

BIG BUDDY PROGRAM
BATON ROUGE, LOUISIANA
DECEMBER 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/17/07

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors Big Buddy Program

We have audited the statements of financial position of Big Buddy Program as of December 31, 2006 and 2005, and the related statements of activities, cash flows, and functional expenses for the year ended December 31, 2006. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information shown on the statements of activities, cash flows, and functional expenses has been derived from the Organization's 2005 financial statements and, in our report dated June 23, 2006 we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Buddy Program as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2007, on our consideration of Big Buddy Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Continued...

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Big Buddy Program, taken as a whole. The accompanying supplemental information description of programs on page 14 is presented for additional analysis. Also, the accompanying schedule of expenditures of federal awards on page 15 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

L.A. Chappin & Co. U.S.

September 26, 2007

BIG BUDDY PROGRAM
STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005 (as restated)

	<u>2006</u>	<u>2005</u> (as restated)
ASSETS		
CURRENT ASSETS		
Cash (includes savings and time deposits of \$58,866 and \$20,715 at December 31, 2006 and 2005, respectively)	\$ 26,832	\$ 43,974
Other time and savings deposits	2,387	2,387
Grants and other receivables	121,702	124,183
Prepaid insurance	29,603	26,767
Total current assets	<u>180,524</u>	<u>197,311</u>
PROPERTY AND EQUIPMENT		
Buildings	172,754	172,754
Transportation equipment	124,533	124,533
Furniture and equipment	46,240	96,556
	<u>343,527</u>	<u>393,843</u>
Less accumulated depreciation	<u>(132,087)</u>	<u>(124,478)</u>
	<u>211,440</u>	<u>269,365</u>
OTHER ASSETS		
Refundable deposits	1,227	1,227
Total assets	<u>\$ 393,191</u>	<u>\$ 467,903</u>

Continued...

	2006	2005 (as restated)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Short-term loan obligation	\$ 15,964	\$ 12,475
Current portion of long-term loan obligation	49,104	49,318
Accounts and other payables	81,003	68,616
Payroll taxes and other withholdings payable	23,295	20,926
Accrued compensated absences	6,482	6,479
Total liabilities	<u>175,848</u>	<u>157,814</u>
LONG-TERM LIABILITIES		
Long-term loan obligation	49,104	49,318
Less current portion	<u>(49,104)</u>	<u>(49,318)</u>
Total long-term liabilities	<u>-</u>	<u>-</u>
NET ASSETS		
Unrestricted	121,555	157,173
Temporarily restricted	93,613	150,741
Permanently restricted	<u>2,175</u>	<u>2,175</u>
Total net assets	<u>217,343</u>	<u>310,089</u>
Total liabilities and net assets	<u>\$ 393,191</u>	<u>\$ 467,903</u>

See accompanying notes

BIG BUDDY PROGRAM
STATEMENT OF ACTIVITIES
Year Ended December 31, 2006
(With Comparative Totals for 2005 as restated)

	2006			2005 (as restated)
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
United Way allocation	\$ 237,972	\$ 40,000	\$ -	\$ 277,972
Donations	35,398	39,582	-	74,980
Grant income	236,387	1,230,324	-	1,466,711
Fees, contract revenue, and other	142,237	-	-	142,237
Interest income	398	19	-	417
Transfer in satisfaction of restriction	1,367,053	(1,367,053)	-	-
TOTAL REVENUE AND RECLASSIFICATIONS	<u>2,019,445</u>	<u>(57,128)</u>	<u>-</u>	<u>1,962,317</u>
				<u>1,731,226</u>
EXPENSES				
Functional expenses:				
Program services-				
Title IV-B Twenty First Century Community Learning Centers	488,638	-	-	488,638
Title IV-A-2 Safe and Drug-Free Schools and Communities	-	-	-	34,758
Title IV-A Temporary Assistance for Needy Families-Teen Pregnancy Prevention	175,812	-	-	175,812
Title IV-A Temporary Assistance for Needy Families	208,113	-	-	208,113
Title IV-B-2 Mentoring Children of Prisoners	207,098	-	-	207,098
2005 Hurricane Relief	85,478	-	-	85,478
Compassion Capital Targeted Capacity Program Youth	6,320	-	-	6,320
Other programs	798,348	-	-	798,348
TOTAL PROGRAM EXPENSES	<u>1,969,807</u>	<u>-</u>	<u>-</u>	<u>1,969,807</u>
				<u>555,659</u>
				<u>1,714,216</u>

	2006			2005 (as restated)
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Supporting services- Fundraising	19,494	-	-	19,494
Management and general	65,762	-	-	65,762
	85,256	-	-	85,256
TOTAL EXPENSES	2,055,063	-	-	2,055,063
DECREASE IN NET ASSETS	(35,618)	(57,128)	-	(92,746)
Net assets - beginning of year as previously reported	105,985	150,741	2,175	356,472
Correction on prior year Grant Revenue as explained in Note J	51,188	-	-	51,188
Net assets - beginning of year as restated	157,173	150,741	2,175	310,089
Net assets - end of year	\$ 121,555	\$ 93,613	\$ 2,175	\$ 217,343
				\$ 310,089

See accompanying notes.

BIG BUDDY PROGRAM

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2006
(With Comparative Totals for 2005 as restated)

	2006	2005 as restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (92,746)	\$ (46,383)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	38,433	36,731
Decrease (increase) in receivables	2,481	(21,189)
Decrease (increase) in prepaid insurance	(2,836)	2,684
Increase in payroll taxes and other withholdings payable	2,370	3,083
Increase in accrued compensated absences	3	1,909
Increase in accounts payable	12,387	29,650
Loss on abandonment of equipment	20,692	-
Total adjustments	73,530	52,868
Net cash provided by (used in) operating activities	(19,216)	6,485
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(1,200)	(7,035)
Net cash used in investing activities	(1,200)	(7,035)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowing	19,752	16,039
Principal payments on short-term borrowing	(16,263)	(3,564)
Principal payments on long-term borrowing	(215)	(244)
Net cash provided by financing activities	3,274	12,231
NET INCREASE (DECREASE) IN CASH	(17,142)	11,681
Cash - beginning of year	43,974	32,293
Cash - end of year	\$ 26,832	\$ 43,974

See accompanying notes

BIG BUDDY PROGRAM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2006
(With Comparative Totals for 2005)

	Title IV-B Twenty First Century Community Learning Centers	Title IV-A Temporary Assistance for Needy Families Teen Pregnancy Prevention	Title IV-A Temporary Assistance for Needy Families	Title IV-B-2 Mentoring Children of Prisoners
Salaries and related payroll expenses	\$ 415,480	\$ 110,771	\$ 174,982	\$ 141,059
Supplies	24,072	9,195	9,580	18,637
Fundraising	-	-	-	-
Telephone	-	-	-	-
Occupancy	-	8	-	-
Local transportation	-	-	-	-
Program registration fees	-	-	-	-
Scholarships	-	-	-	-
General insurance	-	-	-	2,090
Professional fees	-	-	-	-
Contracted services	49,086	55,838	23,551	45,312
Other	-	-	-	-
	<u>488,638</u>	<u>175,812</u>	<u>208,113</u>	<u>207,098</u>
Depreciation	-	-	-	-
	<u>\$ 488,638</u>	<u>\$ 175,812</u>	<u>\$ 208,113</u>	<u>\$ 207,098</u>

See accompanying notes

2006						2005	
Department of Health and Human Services 2005 Hurricane Relief	Department of Health and Human Services Compassion Capital Targeted Capacity Program	Other Programs	Management and General	Fundraising	Total	Total	
\$ 64,877	\$ 6,040	\$ 441,633	\$ 43,139	\$ 12,788	\$ 1,410,769	\$	1,245,337
7,385		67,384	-	-	136,253		115,209
-		-	-	-	-		2,889
-		8,684	848	251	9,783		11,043
-		23,427	2,289	679	26,403		31,363
-		24,834	-	-	24,834		14,030
-		-	-	-	-		3,140
-		9,458	-	-	9,458		12,625
-		31,154	1,187	352	34,783		39,281
-		-	-	-	-		20,577
13,216	280	117,097	11,438	3,390	319,208		208,777
-		40,564	3,529	1,046	45,139		36,607
85,478	6,320	784,235	82,430	18,508	2,016,830		1,740,878
		34,113	3,332	988	38,433		36,731
<u>\$ 85,478</u>	<u>\$ 6,320</u>	<u>\$ 798,348</u>	<u>\$ 65,762</u>	<u>\$ 19,494</u>	<u>\$ 2,055,063</u>	<u>\$</u>	<u>1,777,609</u>

BIG BUDDY PROGRAM
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Big Buddy Program is a nonprofit organization operating in the Baton Rouge area, offering children Pre K through twelfth grade from low-income families opportunities for recreational, cultural, and educational activities. The Organization is primarily funded by Capital Area United Way, the City of Baton Rouge-Parish of East Baton Rouge, Federal grants, and other programmatic grants.

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned or billed, and expenses are recognized when goods or services are received and the obligation for payment is incurred.

Basis of presentation

Financial statement presentation follows the guidance of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities under three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets are resources that are free of donor-imposed or time restrictions and are available at the direction of the governing board. Temporarily restricted net assets are resources that are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Permanently restricted net assets are those resources whose use by the Organization is limited to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Comparative financial information

The statement of activities, statement of cash flows, and statement of functional expenses include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants

Contributions received, grants, and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports cash gifts and grants and contributions of other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or grants, or if they are designated as support for future periods. When donor restrictions expire, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with maturities of ninety days or less when acquired to be cash equivalents.

Property and equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost less accumulated depreciation with depreciation being calculated on the straight-line basis over the estimated useful life of the assets as follows:

Buildings	15-39 yrs
Furniture and equipment	5-7 yrs
Transportation equipment	5 yrs

When property is retired or otherwise disposed of, the accounts are relieved of the applicable cost and accumulated depreciation, and any resulting gain or loss is reflected in operations.

Donated personal services

The value of donated personal services provided has not been recorded in the accompanying financial statements. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in the performance of its programs and various committee activities.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated equipment

Equipment donated to the Organization is recorded at fair market value on the date received.

Income taxes

Big Buddy Program is an organization exempt from income taxes as defined in Section 501(c)(3) of the Internal Revenue Code.

Compensated absences

Full-time employees earn one day of vacation time per month. Employees that do not use all of their vacation time are allowed to carry forward a maximum of 6 days to the following year. Employees terminating their employment with Big Buddy are entitled to be compensated for their accrued vacation pay. Full-time employees also earn one day of sick time each month. Employees are allowed to accumulate up to a maximum of 60 days of sick time. Employees terminating their employment with Big Buddy are not compensated for their accrued sick pay.

A liability for compensated vacation time is provided based upon the number of hours of unused time at the employee's current hourly rate. No liability is accrued for sick leave in accordance with applicable accounting standards.

Receivables and bad debts

Management believes that receivables are collectible in full, and no allowance for bad debts has been provided in the financial statements.

B: ECONOMIC DEPENDENCY

The Organization receives support from a number of sources, significant among those are the following reflecting their percent of total revenues provided in 2006 and 2005:

	2006	2005
Capital Area United Way	14%	16%
Department of Education Grants	42%	46%
Department of Health and Human Services Grants	14%	14%
Local Foundation	17%	15%

C: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs are charged specifically to a program or function and the remaining costs are allocated among programs, administrative and fund raising based upon estimates of staff time devoted to these functions.

D: RETIREMENT PLAN

The Organization provides a Section 403(b) contributory deferred compensation plan covering employees eligible as to age and length of service. Participation in the plan is voluntary and provides that employees may contribute a percentage of their salaries to the plan. The Organization makes a matching contribution of up to 5% of an employee's salary after three consecutive years of full time employment and 10% after five consecutive years of full time employment.

E: CONCENTRATION OF CREDIT RISK

The Big Buddy Program maintains its cash in bank deposit accounts, which at some times may exceed federally insured limits.

F: LEASE OBLIGATION

The Organization leases certain equipment under agreements classified as operating leases. The lease expense under these agreements for the year ended December 31, 2006 was \$5,401 and \$3,698 for the year 2005.

The following is a schedule by years of future minimum rental payments required under the equipment leases as of December 31, 2006:

<u>Years Ending December 31</u>	
2007	\$ 1,804
2008	1,804
2009	1,503

G: RESTRICTED NET ASSETS

Permanently restricted net assets consist of endowments for scholarships, the earnings on which are reported as temporarily restricted for use in funding such scholarships.

H: NOTE PAYABLE

The Big Buddy Program maintains a \$50,000 line of credit through a local financial institution secured by a mortgage on program facilities located at 1415 Main Street. The previous line of credit matured on March 13, 2006 and was extended to March 13, 2007. Big Buddy is obligated to make monthly interest payments at 10.50% until maturity on March 13, 2007 at which time all unpaid principal and interest are due.

The Big Buddy Program entered into a financing agreement for its business auto insurance policy premium effective November 14, 2006. The financing arrangement calls for ten monthly installment payments of \$2,090 including principal and interest at 12.55% beginning December 14, 2006.

I: NET ASSETS

Temporarily restricted net assets consist of funds designated by donors or grantors for specific purposes or programs. A total of \$2,851 is restricted to the maintenance of Big Buddy facilities, \$90,108 is restricted to use in specific programmatic areas and \$654 represents earnings on endowments dedicated to funding scholarships.

Permanently restricted net assets consist of donations intended to remain in perpetuity, the income from which is restricted to funding scholarships.

J: PRIOR-PERIOD ADJUSTMENTS

Management found that a grant cost reimbursement billed in 2006 for costs charges in 2005 had not been recorded as grant revenue in 2005. Therefore, 2005 grant revenue and December 31, 2005 grant receivable and unrestricted fund balance has been increased by \$51,188.

K: FEDERALLY ASSISTED PROGRAMS - COMPLIANCE CONTINGENCIES

Federal and State assistance programs represent an important source of funding for Big Buddy. These programs are audited annually in accordance with the "Single Audit Act". Prior audits have not resulted in any significant disallowed costs; however, grantor agencies may conduct or require further examinations.

K: FEDERALLY ASSISTED PROGRAMS - COMPLIANCE CONTINGENCIES (continued)

One such agreed upon procedures examination of the federally funded U. S. Department of Education Title IV-B - 21st Century Community Learning Centers and U. S. Department of Health and Human Services Title IV-A Temporary Assistance for Needy Families (TANF) programs administered through the Louisiana Department of Education has been conducted under the supervision of that department. The results of the examination have not been communicated to Big Buddy. It is possible that results of the examination, if adverse in nature, could result in the cancellation of grants or contracts, the disallowance of costs charged to the grant and further require the repayment of any questioned costs identified and such repayments may be material to the financial statements.

SUPPLEMENTARY INFORMATION

DESCRIPTION OF PROGRAMS

Title IV-B Twenty-First Century Community Learning Centers

The Title IV-B Twenty-First Century program accounts for the administration of programs for preK-12th grade students and their families in and out of school hours. The programs provide academic, recreation, and enrichment activities to students in targeted high poverty area schools.

Title IV-A Temporary Assistance for Needy Families

The Title IV-A funds account for various after school activities for school children from preK-12th grade. The programs provide recreation, academic, and enrichment activities to students in schools in high poverty areas.

Title IV-A Temporary Assistance for Needy Families – Teen Pregnancy Prevention Program

The Title IV-A funds account for teen pregnancy prevention activities for school children in middle school grades 6-8. The program provides recreation and enrichment activities to students in schools in high poverty areas.

Title IV-B-2 Mentoring Children of Prisoners

The Title IV-B-2 funds account for the administration of the Each One Reach One (EORO) program. EORO provides mentoring activities for children whose parent(s) have been incarcerated.

Compassion Capital Targeted Capacity Program Youth

The Compassion Capital Targeted Capacity Program Youth program accounts for the primary purpose of the CCF to help faith-based and community organizations increase their effectiveness, enhance their ability to provide social services to serve those most in need, expand their organizations, diversify their funding sources, and create collaborations to better serve those in need.

2005 Hurricane Relief

The Street Outreach Program (SOP) made grants available to those impacted by the 2005 hurricanes to the Big Buddy Program for the purpose of providing street-based services to runaway, homeless and street youth, who have been subjected to, or are at risk of being subjected to, sexual abuse, prostitution, or sexual exploitation.

Other Programs

The Big Buddy Program accounts for other programs for academic, recreation, and enrichment to children in high poverty areas. Their programs are geared toward the social and academic development of our youth. They target children of all ages both in school and out of school.

BIG BUDDY PROGRAM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2006

<u>FEDERAL GRANTOR GRANTORS/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANT YEAR END</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>REVENUE RECOGNIZED</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
<u>U.S. Department of Education</u>					
Passed Through the Louisiana Department of Education:					
Title IV-B Twenty First Century Community Learning Centers	84.287	8/31/2006	\$ 584,675	\$ 389,838	\$ 389,838
<u>U.S. Department of Health and Human Services</u>					
Title IV-B-2 Mentoring Children of Prisoners	93.616	7/30/2006 7/30/2007	180,000 180,000	101,464 80,320	101,846 80,320
2005 Hurricane Relief	93.557	9/29/2006	90,000	79,296	79,296
Compassion Capital Targeted Capacity Program Youth	93.009	9/29/2007	49,280	6,040	6,040
Passed Through the Louisiana Department of Education:					
Title IV-A Temporary Assistance for Needy Families	93.558	9/14/2006 8/31/2007	215,000 215,000	155,452 82,472	140,124 82,472
Passed Through the State of Louisiana Department of Social Services:					
Title IV-A Temporary Assistance for Needy Families-Teen Pregnancy Prevention	93.558	2/28/2007	169,174	142,870	142,870
			<u>\$ 1,683,129</u>	<u>\$ 1,037,752</u>	<u>\$ 1,022,606</u>

Note A: The schedule above is prepared using accrual basis of accounting. This information is presented in accordance with the requirement of OMB Circular A-133, Audits of State, Local Government, and NonProfit Organizations. Therefore, the amounts presented on the schedule may differ from amounts presented in the basic financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Big Buddy Program

We have audited the accompanying financial statements of Big Buddy Program, as of and for the year ended December 31, 2006, and have issued our report thereon dated September 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Big Buddy Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Buddy Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of the findings and questioned costs as items 2006-1 to 2006-3 and 2005-1 and 2005-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weakness. However, we believe significant deficiencies described above, and numbered 2006-2 and 2006-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Big Buddy Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that, is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2006-4.

Big Buddy Program's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Big Buddy Program's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management and board of Big Buddy Program, the Legislative Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana R. S. 24:513, this report is distributed by the Legislative Auditor as a public document.


September 26, 2007

L. A. CHAMPAGNE & CO., L.L.P.

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PUBLIC COMPANY AUDIT FIRMS
AND THE PRIVATE COMPANIES
PRACTICE SECTION OF THE
AMERICAN INSTITUTE OF CPAs

EID #72-0454386

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Big Buddy Program

Compliance

We have audited the compliance of Big Buddy Program with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. Big Buddy Program's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Big Buddy Program's management. Our responsibility is to express an opinion on Big Buddy Program's compliance based on our audit.

We conducted our audit on compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Big Buddy Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Big Buddy Program's compliance with those requirements.

In our opinion, Big Buddy Program complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the Big Buddy Program is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Big Buddy Program's internal control over compliance with requirements that could have a direct and material effect on a

major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Big Buddy Program's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects that entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2006-2 and 2006-3 and 2005-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2006-2 and 2006-3 to be material weaknesses.

Big Buddy Program's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Big Buddy Program's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management and board of Big Buddy Program, the Legislative Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana R. S. 24:513, this report is distributed by the Legislative Auditor as a public document.


September 26, 2007

BIG BUDDY PROGRAM
SUMMARY OF AUDIT RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2006

A: SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Big Buddy Program.
2. Five significant deficiencies in internal controls, 2006-1 to 2006-3 and 2005-1 and 2005-2, relating to the audit of the financial statements are included in the "Report on Internal Control and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*." Items 2006-2 and 2006-3 are reported as material weaknesses.
3. One instance of noncompliance 2006-4 material to the financial statements of Big Buddy Program was disclosed during the audit.
4. Three significant deficiencies in internal controls, 2006-2 and 2006-3 and 2005-2, relating to the audit of the major federal award programs are included in the "Report on compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133". Items 2006-2 and 2006-3 are reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for Big Buddy Program expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for Big Buddy Program were disclosed during the audit.
7. The programs tested as a major program are as follows:
 - U. S. Department of Education:
 - Title IV-B Twenty-First Century Community Learning Centers
 - U. S. Department of Health and Human Services
 - Title IV-A Temporary Assistance for Needy Families
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Big Buddy Program was determined to be a high-risk auditee.

B: FINDINGS - FINANCIAL STATEMENTS AUDIT

INTERNAL CONTROL

2006-1 Internal Control over Financial Reporting

Condition: We have always assisted management in the analysis and reclassification of various accounts in order to close the books at year end and in drafting the financial statements and related notes as part of our year-end audit process.

Effect: Because our involvement is so key to that process there is an indication that this deficiency in internal control over financial reporting of the Organization meets the definition of a significant deficiency as defined below.

Criteria: Internal controls over financial reporting are those policies and procedures that exist to assure an entity's ability to initiate, record, process, and report financial data consistent with assertions embodied in the annual financial statements, and that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Auditor's Recommendation: At this time it is not feasible for the Big Buddy Program to acquire the expertise necessary to actually draft the year end financial statements in accordance with GAAP. Therefore, we propose to continue to assist management in the drafting of those financial statements.

Management Response: Management acknowledges the condition as described above. Although the Big Buddy Program's management does not actually prepare and draft the financial statements, they have the capacity and experience to understand proposed adjustments and to oversee the drafting of financial statements prepared in accordance with generally accepted accounting principles. They provide all of the information to support adjustments and reclassifications and other information to be included in the financial statements and they understand the financial statement presentation. Therefore, management proposes to continue with the current arrangement for financial statement preparation.

2006-2 Maintenance, Storage and Retrieval of Records and Documents

Condition: Program files are not maintained in a manner that allows for ready retrieval and reference. Grant applications, awards, contracts, etc. are not kept together in a manner that allows for quick reference to information that is key to the administration and operation of programs consistent with the terms of those agreements. Also, other supporting documentation such as invoices, bills, statements, etc. are not maintained in a manner that allows ready access to those documents.

Effect: Records are not readily available for reference to the terms, conditions and requirements specified in grants and other contracts for services or to supporting documentation for transactions recorded in the general ledger accounting system. Such access is needed to administer Big Buddy's various programs.

Criteria: Two important elements of internal control are communication and monitoring. Documentation whether in paper or electronic form is essential to the design and operation of controls for communication and monitoring of financial data.

Auditor's Recommendation: Develop and implement policies and procedures for record and document retention safety and availability. Develop a clearly understood index and filing system and record retention policy. In particular, be sure to obtain and retain documentation for each grant and award in a separate clearly labeled file or folder. This is essential for management to have the ability to quickly access such document in order to properly manage grant and award programs.

Management Response: We will move quickly to develop and implement written policies and procedures on the maintenance, order and retention of Big Buddy accounting and related data and documents realizing the importance of the communication and monitoring elements in the organization's system of internal control.

2006-3 Segregation of Accounting Duties

Condition: We noted that the director of finance prepares grant reimbursement requests, receives grant reimbursements and other payments, prepares the deposit slip, and posts receipts to the cash receipts journal. The director also receives all vendor invoices and statements, processes them for payment, prepares, prints, signs and mails payment checks. The director also receives directly and reconciles the monthly bank statement without review.

Effect: There is a real danger that intentional or unintentional errors could be made and not detected

Criteria: One of the basic elements of internal control is separation of accounting duties to the extent possible considering the size of the organization and the complexity of its accounting.

Although the small size of the Organization's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Auditor's Recommendation: Separate incompatible duties to the extent possible. Have the receptionist open the mail, prepare a prelist of the receipts and prepare the deposit slip. Also, see that someone other than the director approves invoices and bills for payment and remove the director as a signatory of the bank. The executive director should receive the bank statement in the mail unopened and review for improper payments, signatures, and any unusual postings, etc. After the account has been reconciled, the executive director should examine and sign off that the reconciliation has been examined and reviewed.

Management Response: Management will attempt to develop and implement the auditor's recommendations outlined above.

2005-1 Untimely Remittance of Employee Payroll Deductions

Condition: The Big Buddy Program makes deductions from employee payroll for charitable organizations and a 403(b) plan. These payroll deductions are not being remitted to the proper entity in a timely matter.

Effect: Amounts accumulated during 2006 and owed to the charitable organization and the 403(b) plan administrator amounted to \$7,112 as of December 31, 2006. Amounts accumulated during 2005 and owed to the charitable organization and the 403(b) plan administrator amounted to \$4,719 as of December 31, 2005.

Criteria: Internal controls should be in place that provide reasonable assurance that employee payroll deductions are remitted to the proper entity in a timely manner.

Auditor's Recommendation: Procedures should be in place to ensure that the employee payroll deductions are remitted to the proper entity in a timely manner.

Management Response: The Executive Director agrees with the finding. Procedures to ensure timely remittance of employee payroll deductions will be developed and implemented.

2005-2 Inconsistent Classification of Disbursement Transactions.

Condition: The Big Buddy Program does not consistently classify disbursement transactions of a similar nature in the accounting records. During 2005 the Big Buddy Program transitioned to classifying disbursement transactions into six broad accounts for funding presentation purposes. Also, we noted some errors in classification of program "job cost" charges and expenses.

Effect: Incorrect classification of such transactions may cause inaccuracies in general ledger account balances.

Criteria: Internal controls should be in place to ensure proper classification of disbursement transactions in the general ledger.

Auditor's Recommendation: Procedures should be established to ensure proper transaction classification.

Management Response:

The Executive Director agrees with the finding. Procedures to ensure proper classification of disbursement transactions in the general ledger and correct charges to program ledgers will be developed and implemented.

COMPLIANCE

2006-4 Engagement Completion

Condition: In June, near the completion of our audit we discovered that the Louisiana Department of Education had commissioned an agreed upon procedures examination of the 21st Century program and the Temporary Assistance for Needy Family program covering 2006 transactions. Since no report had been issued by late June we attempted to contact representatives at the Department of Education regarding the examination and obtain a report of findings to assess whether such findings might possibly have an affect on the scope of our audit. The June 30, 2007, deadline passed and it was mid July before we were able to speak with anyone in the Department of Education regarding the examination. However, they were unable to offer any information on the nature and scope of the examination nor on any preliminary results. The report was not expected to be issued until mid September. Big Buddy has not yet received any report.

Meanwhile the Director of Finance resigned, after which several other matters and some additional grant documentation came to our attention that required further consideration.

Effect: According to the Legislative Auditor of the State of Louisiana, failure to comply with the six month statutory issuance date is specifically required to be reported as a material instance of noncompliance with state law.

Criteria: L.R.S. 24:513 provides that the audited financial statements are to be filed with the Legislative Auditor within six months of the close of the fiscal year.

Auditor's Recommendation: Assist the auditors by responding completely to requests for information and documentation, particularly with regard to grant awards. See also 2006-2 above regarding maintenance of records.

Management Response: Management and the new Director of Finance will make every effort to respond to auditor requests more completely and timely. Improving record keeping and maintenance as noted in 2006-2 above will facilitate providing such information promptly.

C: FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

INTERNAL CONTROL

2006-2 Maintenance, Storage and Retrieval of Records and Documents

Condition: Program files are not maintained in a manner that allows for ready retrieval and reference. Grant applications, awards, contracts, etc. are not kept

together in a manner that allows for quick reference to information that is key to the administration and operation of programs consistent with the terms of those agreements. Also, other supporting documentation such as invoices, bills, statements, etc. are not maintained in a manner that allows ready access to those documents.

Effect: Records are not readily available for reference to the terms, conditions and requirements specified in grants and other contracts for services or to supporting documentation for transactions recorded in the general ledger accounting system. Such access is needed to administer Big Buddy's various programs.

Criteria: Two important elements of internal control are communication and monitoring. Documentation whether in paper or electronic form is essential to the design and operation of controls for communication and monitoring of financial data.

Auditor's Recommendation: Develop and implement policies and procedures for record and document retention safety and availability. Develop a clearly understood index and filing system and record retention policy. In particular, be sure to obtain and retain documentation for each grant and award in a separate clearly labeled file or folder. This is essential for management to have the ability to quickly access such document in order to properly manage grant and award programs.

Management Response: We will move quickly to develop and implement written policies and procedures on the maintenance, order and retention of Big Buddy accounting and related data and documents realizing the importance of the communication and monitoring elements in the organization's system of internal control.

2006-3 Segregation of Accounting Duties

Condition: We noted that the director of finance prepares grant reimbursement requests, receives grant reimbursements and other payments, prepares the deposit slip, and posts receipts to the cash receipts journal. The director also receives all vendor invoices and statements, processes them for payment, prepares, prints, signs and mails payment checks. The director also receives directly and reconciles the monthly bank statement without review.

Effect: There is a real danger that intentional or unintentional errors could be made and not detected

Criteria: One of the basic elements of internal control is separation of accounting duties to the extent possible considering the size of the organization and the complexity of its accounting.

Although the small size of the Organization's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Auditor's Recommendation: Separate incompatible duties to the extent possible. Have the receptionist open the mail, prepare a prelist of the receipts and prepare the deposit slip. Also, see that someone other than the director approves invoices and bills for payment and remove the director as a signatory of the bank. The executive director should receive the bank statement in the mail unopened and review for improper payments, signatures, and any unusual postings, etc. After the account has been reconciled, the executive director should examine and sign off that the reconciliation has been examined and reviewed.

Management Response: Management will attempt to develop and implement the auditor's recommendations outlined above.

2005-2 Inconsistent Classification of Disbursement Transactions.

Condition: The Big Buddy Program does not consistently classify disbursement transactions of a similar nature in the accounting records. During 2005 the Big Buddy Program transitioned to classifying disbursement transactions into six broad accounts for funding presentation purposes. Also, we noted some errors in classification of program "job cost" charges and expenses.

Effect: Incorrect classification of such transactions may cause inaccuracies in general ledger account balances.

Criteria: Internal controls should be in place to ensure proper classification of disbursement transactions in the general ledger.

Auditor's Recommendation: Procedures should be established to ensure proper transaction classification.

Management Response: The Executive Director agrees with the finding. Procedures to ensure proper classification of disbursement transactions in the general ledger and correct charges to program ledgers will be developed and implemented.



Big Buddy Program

1415 Main St., Baton Rouge, LA 70802
Ph. (225) 388-9737. Fax (225) 346-8441

September 26, 2007

The Big Buddy Program respectfully submits the following corrective action plan for the year ended December 31, 2006.

Name and Address of independent public accounting firm:

L.A. Champagne & Co., L.L.P.
4911 Bennington Avenue
Baton Rouge, LA 70808

Audit period: Year ended December 31, 2006

The findings from the 2006 schedule of findings and questioned cost are discussed below. The findings are numbered consistently with the number assigned to the schedule.

INTERNAL CONTROL

2006-1 Internal Control over Financial Reporting

Condition: We have always assisted management in the analysis and reclassification of various accounts in order to close the books at year end and in drafting the financial statements and related notes as part of our year-end audit process.

Action Taken: Management acknowledges the condition as described above. Although the Big Buddy Program's management does not actually prepare and draft the financial statements, they have the capacity and experience to understand proposed adjustments and to oversee the drafting of financial statements prepared in accordance with generally accepted accounting principles. They provide all of the information to support adjustments and reclassifications and other information to be included in the financial statements and they understand the financial statement presentation. Therefore, management proposes to continue with the current arrangement for financial statement preparation.

2006-2 Maintenance, Storage and Retrieval of Records and Documents

Condition: Program files are not maintained in a manner that allows for ready retrieval and reference. Grant applications, awards, contracts, etc. are not kept together in a manner that allows for quick reference to information that is key to the administration and operation of programs consistent with the terms of those agreements. Also, other supporting documentation such as invoices, bills, statements, etc. are not maintained in a manner that allows ready access to those documents.

Action Taken: We will move quickly to develop and implement written policies and procedures on the maintenance, order and retention of Big Buddy accounting and related data and documents realizing the importance of the communication and monitoring elements in the organization's system of internal control.

2006-3 Segregation of Accounting Duties

Condition: We noted that the director of finance prepares grant reimbursement requests, receives grant reimbursements and other payments, prepares the deposit slip, and posts receipts to the cash receipts journal. The director also receives all vendor invoices and statements, processes them for payment, prepares, prints, signs and mails payment checks. The director also receives directly and reconciles the monthly bank statement without review.

Action Taken: Management will attempt to develop and implement the auditor's recommendations outlined above.

2005-1 Untimely Remittance of Employee Payroll Deductions

Condition: The Big Buddy Program makes deductions from employee payroll for charitable organizations and a 403(b) plan. These payroll deductions are not being remitted to the proper entity in a timely manner.

Action Taken: The Executive Director agrees with the finding. Procedures to ensure timely remittance of employee payroll deductions will be developed and implemented.

2005-2 Inconsistent Classification of Disbursement Transactions.

Condition: The Big Buddy Program does not consistently classify disbursement transactions of a similar nature in the accounting records. During 2005 the Big Buddy Program transitioned to classifying disbursement transactions into six broad accounts for funding presentation purposes. Also, we noted some errors in classification of program "job cost" charges and expenses.

Action Taken: The Executive Director agrees with the finding. Procedures to ensure proper classification of disbursement transactions in the general ledger and correct charges to program ledgers will be developed and implemented.

COMPLIANCE

2006-4 Engagement Completion

Condition: In June, near the completion of our audit we discovered that the Louisiana Department of Education had commissioned an agreed upon procedures examination of the 21st Century program and the Temporary Assistance for Needy Family program covering

2006 transactions. Since no report had been issued by late June we attempted to contact representatives at the Department of Education regarding the examination and obtain a report of findings to assess whether such findings might possibly have an affect on the scope of our audit. The June 30, 2007, deadline passed and it was mid July before we were able to speak with anyone in the Department of Education regarding the examination. However, they were unable to offer any information on the nature and scope of the examination nor on any preliminary results. The report was not expected to be issued until mid September. Big Buddy has not yet received any report.

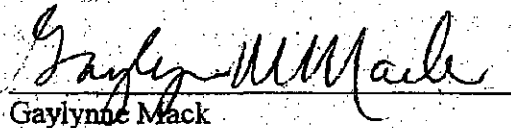
Meanwhile the Director of Finance resigned, after which several other matters and some additional grant documentation came to our attention that required further consideration.

Action Taken: Management and the new Director of Finance will make every effort to respond to auditor requests more completely and timely. Improving record keeping and maintenance as noted in 2006-2 above will facilitate providing such information promptly.

If there are any questions regarding this plan, please call me at 225-388-9737.

Respectively submitted,

Big Buddy Program

A handwritten signature in cursive script, reading "Gaylynne Mack", written over a horizontal line.

Gaylynne Mack
Executive Director

BIG BUDDY PROGRAM
SCHEDULE OF CORRECTIVE ACTION TAKEN
ON PRIOR YEAR FINDINGS
Year Ended December 31, 2006

2005-1 Untimely Remittance of Employee Payroll Deductions

Repeated in current year findings.

2005-2 Inconsistent Classification of Disbursement Transactions

Repeated in current year findings.